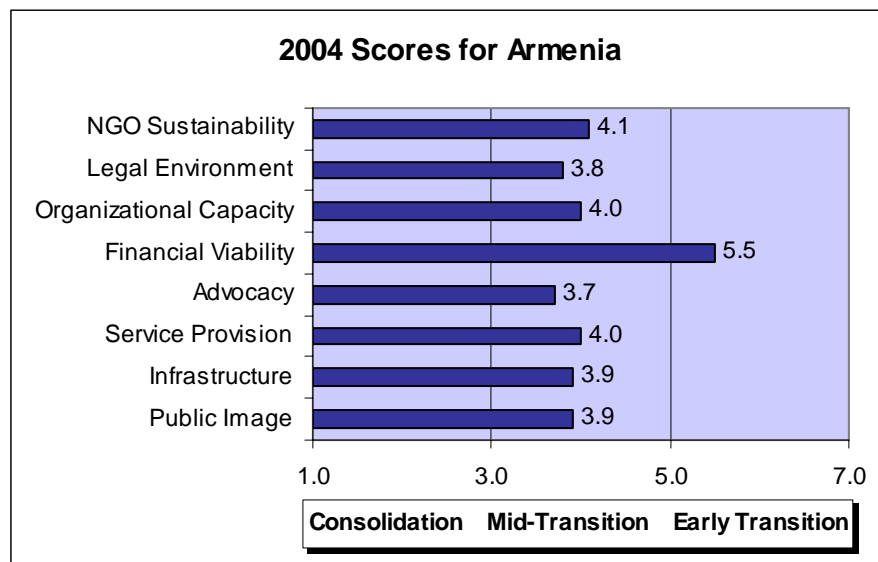
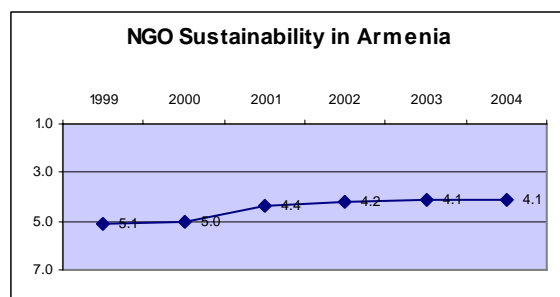

ARMENIA

**Capital:** Yerevan**Polity:** Presidential-parliamentary democracy**Population:** 2,990,000**GDP per capita (PPP):** \$3,500**NGO SUSTAINABILITY: 4.1**

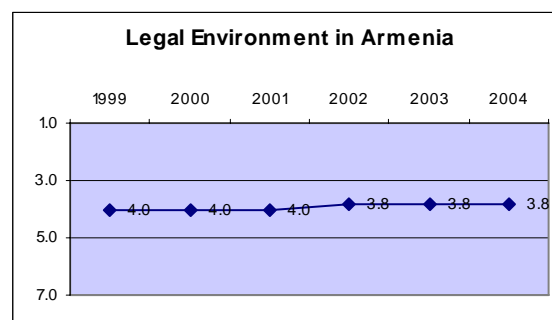
In 2004, the Ministry of Justice reported that there were 3,964 NGOs registered in Armenia, one-third of which were active. Despite deteriorating economic conditions and the government's over-reaction to opposition protests, the NGO sector made progress or remained steady in each of the seven dimensions of the index. Tension between the government and NGO community grew when a coalition of NGOs responded to the government's crackdown on demonstrations by conducting peaceful protests, theatre performances, concerts, and

photo exhibitions in front of the Prosecutor General's office.

International donors are still the primary source of funding for the majority of NGOs, though cash and in-kind donations from diverse sources, such as the Armenian Diaspora, has increased. NGOs continued their unsuccessful attempts to reform the Law on Public Organizations so that they would be able to engage freely in economic activities. Despite the government's blockage of these efforts and the tensions concerning public protests, more government ministries are actively seeking NGO input on national action plans, and a few agencies are even awarding small grants. The government has recently convened the Anti-corruption Monitoring Commission and National Action Plan on Gender, both examples of the small but growing cooperation between the government and NGO sector.

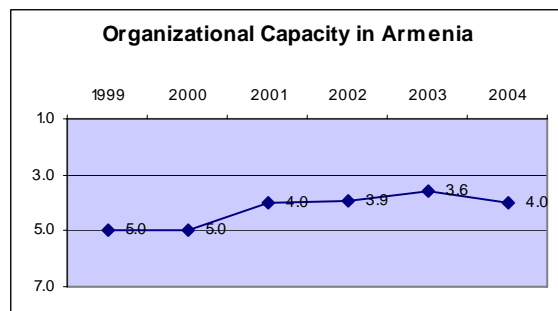
LEGAL ENVIRONMENT: 3.8

Even though NGOs may form under one of three laws, the Law on Public Organizations (2001), the Charity Law (2002), and the Law on Foundations (2002), the majority are registered under the Law on Public Organizations. In 2004, NGOs began lobbying for changes to the Law on Public Organizations that would allow them to engage in economic activities. Government officials, many of whom have personal business interests, have put up fierce resistance, and so far, prevented changes to the law. In response to Social Insurance Fund officials visiting NGOs and demanding payments to the Fund for NGOs' volunteers, a coalition of NGOs and lawyers began drafting a new Law on Volunteerism. One organization from the region challenged the practice of requiring NGOs to pay into the Social Insurance Fund for volunteers in court, but lost at the appellate level and is now preparing to take the issue before the European Court in Strasbourg.



While the tax system provides some benefits and incentives for NGOs and their donors, it is inadequate to support NGO activities or promote local philanthropy. The International Center for Not-for-Profit Law and other NGO law experts have been advising the NGO community and government on a possible 1% law, which would allow tax payers to allocate 1% of their tax liability to support an NGO. Otherwise, the tax system does not provide other incentives to encourage philanthropy and limits deductions for corporate philanthropy to .25% of a business' income. Many in the NGO community are opposed to efforts to reform the laws, fearing increased scrutiny from tax authorities.

ORGANIZATIONAL CAPACITY: 4.0



Despite overall changes in NGO management and effectiveness, there is still

need for continued training in several areas. Organizations are increasingly using boards of directors but few fully understand their roles and responsibilities. Similarly, NGOs are increasingly reaching out to their constituencies, but often confuse them with their beneficiaries. There are approximately a dozen NGO managers that have begun to think more strategically and are more focused in their programming, pursuing their own agendas rather than those of donors. However, the majority of organizations still have broad, elastic mission statements that

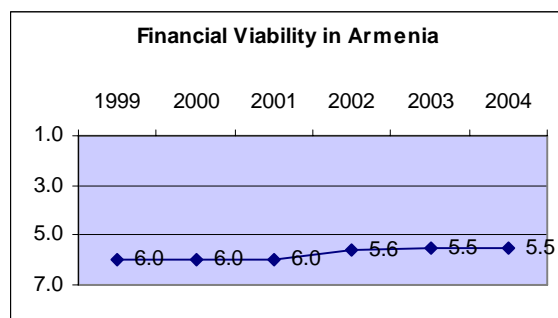
2004 NGO SUSTAINABILITY INDEX

allow them greater access to a wider variety of donor funding. Often, NGOs are still led and represented by a single charismatic leader instead of a strong management team. The exceptions are those organizations founded by members of the younger generations, who often adopt more progressive, team-oriented management structures.

Earlier in 2004, a coalition of NGOs drafted, circulated, discussed and approved a Code of Standards for NGOs. The Code of

Standards contains, among others, sections on management, board of directors, legal compliance, conflict of interest, financial accountability, openness and public policy involvement. The Code has been posted on a website and NGOs who wish to endorse it can do so online. To date 84 NGOs have done so. A group of NGOs is currently drafting enforcement mechanisms. A coalition of Georgian NGOs requested a copy of the Armenian Code to assist in their deliberations on a similar code.

FINANCIAL VIABILITY: 5.5



The NGO sector made important progress in the financial viability dimension over the past year, although dependence on foreign funding continues to be a problem. Training and capacity building efforts have paid off, with more NGOs producing brochures and seeking support from a variety of different sources, including the Armenian diaspora which has provided funding for projects on domestic violence, environment, and civic education. Though most government

agencies have not included significant support for NGOs in their budgets, the Ministry of Youth is leading the way with small grants for youth-led organizations.

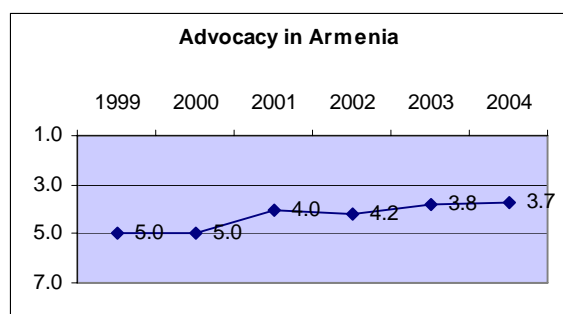
Local philanthropy remains limited to a few businessmen (oligarchs) who support local schools and orphanages. As yet, the government does not provide NGOs with any amount of significant support. Some “social partnerships” have been formed with municipalities, but the funding originates with foreign donors. A number of NGOs have created limited liability companies in order to produce income to support their organizations. Generally, organizations are not allowed to charge fees for their services. Counterpart International, funded by USAID, is looking into the possibilities of changing or challenging the status quo on fees for services.

ADVOCACY: 3.7

NGOs are increasingly conducting long-term advocacy campaigns, and no longer limiting themselves to strictly legislative

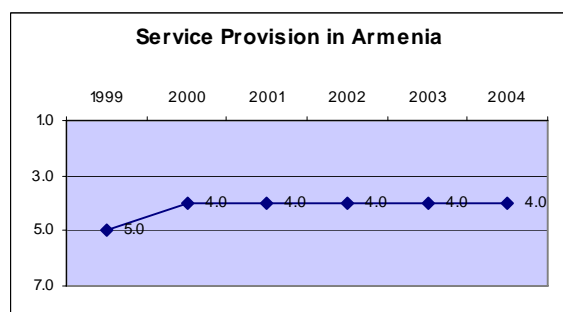
drafting activities. Following last year’s success in helping to enact Armenia’s first Freedom of Information Act, the Freedom of

Information Civic Initiative is now heavily involved in the Act's implementation and in monitoring compliance with it. Coalitions of NGOs have worked together on a variety of campaigns, such as drafting the Code of Standards and reforming the Law on Public Organizations. A women's advocacy group successfully lobbied for amendments to the Labor Code to stop sexual harassment in the workplace. Another group lobbied for legal reforms to address issues of domestic violence. In addition, a coalition of NGOs partnered with journalists, academics, and citizens in a large campaign against a proposed law on Mass Media.



Government-NGO relations have improved over the past year, as government officials have started to appreciate the value of NGO expertise. At the national level, NGOs have been asked to participate on and advise government committees such as the Anti-corruption Monitoring Commission and the National Action Plan on Gender. It is too early to see the impact on the Anti-corruption Monitoring Commission of the NGO sector's participation. However, it is already evident that the women's NGOs have played an active role in gender issues. NGOs have also worked at the national level to advocate against social insurance funds for volunteers. At the local level, organizations are developing closer relations with mayors and municipal councils. In some regions, NGOs have persuaded local councils to hold open meetings and allow citizen input.

SERVICE PROVISION: 4.0



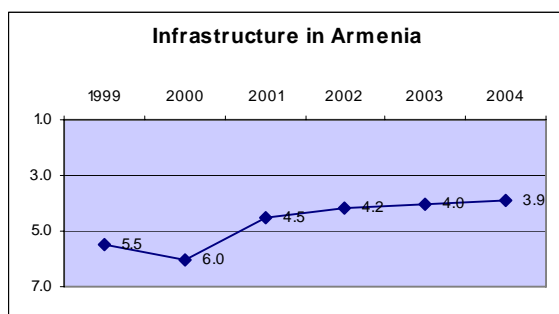
There was little change in the service provision dimension this year, as NGOs continue to provide a wide range of services including soup kitchens, legal and medical assistance, shelter for victims of domestic violence, and care for the elderly. As has

been the case for many years, service providers are heavily dependent on international donors, and receive little domestic support for these services. Service providers are still not able to charge fees for their services, and those few that can are taxed like for-profit businesses. Despite years of lobbying, NGOs are still not permitted to compete for government contracts, which severely inhibit them from achieving their potential in providing services to their constituents. In addition, the government is still not giving NGOs the licenses they need to provide many services. Two integrated Social Service Centers have

been opened in the regions in which NGOs and government share premises and provide

services.

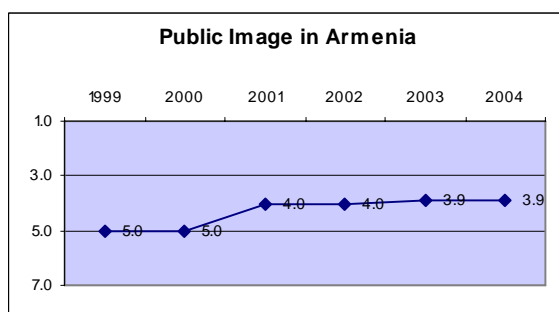
INFRASTRUCTURE: 3.9



The network of NGO training and resource centers grew this year. In addition to World Learning and the NGO Center, both funded by USAID, the UN, EU and Soros are now

funding training facilities. In addition, there are local organizations that have started training programs for other NGOs and have the potential to become Intermediary Support Organizations in the coming year. With USAID funding, Counterpart International will be assisting local organizations to become Intermediary Support Organizations. While there are organizations in both Yerevan and the regions that provide training and some re-granting to NGOs, this training has been done on an ad hoc basis. The Counterpart program will provide technical assistance, capacity building and training to three ISOs located in various parts of the country.

PUBLIC IMAGE: 3.9



The Public Image dimension did not improve little over the past year. The most significant event was the second annual NGO Conference and Exhibition in Yerevan. The opening speakers for the event included the speaker of the National Assembly and a representative of President Kocharian, offering hope that despite tensions between the NGO sector and parts

of the government, relations are strengthening. The event received significant coverage from both print and broadcast media, highlighting the growing understanding between the NGO sector and media. Though NGOs in general have done a better job of getting their messages out to the public, there is still question as to whether the general public knows about or understands the role of the NGOs. According to a public opinion survey carried out this year, many people still equate NGOs with humanitarian assistance.

There is a perception among the general public that NGOs are little more than a mechanism for creating high salaried positions for a few of the country's elite, while ordinary citizens struggle to find

employment. The NGO sector must overcome these and other perceptions if it is ever to garner support from the local

community and become independent of foreign donors.